PROVINCE OF SASKATCHEWAN

2008

ANNUAL REPORT

SASKATCHEWAN LIQUOR BOARD SUPERANNUATION COMMISSION

Table of Contents

This annual report is available in electronic format at **www.peba.gov.sk.ca**

Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Liquor Board Superannuation Commission for the year ending December 31, 2008.

Dan D'Autremont
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

The Honourable Dan D'Autremont
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Sir:

On behalf of the Saskatchewan Liquor Board Superannuation Commission, I have the honour of submitting the Annual Report of the Saskatchewan Liquor Board Superannuation Commission for the year ending December 31, 2008, pursuant to the provisions of Section 54 of *The Liquor Board Superannuation Act*.

Brian Smith
Chair
Saskatchewan Liquor Board Superannuation Commission

Chair's Comments

It is my privilege to chair the Saskatchewan Liquor Board Superannuation Commission.

The Commission has a multi-year business plan in place with stated goals to 2010. The business plan sets out initiatives and activities in Service Delivery and Communications, Plan Governance, Accountability, and Risk Management.

This report provides information on business plan accomplishments for 2008 and planned activities under each of these initiatives for 2009. This annual report represents a step forward in providing detailed information and it reflects an increased emphasis on Commission accountability.

The Commission will begin to develop a new business plan in 2009. Depending on the results of that planning the activities of 2009 may change from what is identified within this annual report.

The Commission continues its efforts to direct the administration of the Plan and manage the assets in the best interests of its members.

In managing plan assets, the Commission reviews the performance of the Liquor Board Superannuation Fund (Fund) in terms of the performance of a benchmark portfolio over rolling four-year periods. The Commission also measures the performance of the investment manager against the objectives set for that portfolio.

Information on the Plan's Investments, Investment Objectives and Fund Performance are provided in this report.

On behalf of the Saskatchewan Liquor Board Superannuation Commission, I present the 2008 Annual Report of the Saskatchewan Liquor Board Superannuation Commission.

Brian Smith
Chair

Introduction

The Liquor Board Superannuation Plan (the Plan) is a defined benefit pension plan for employees of the Saskatchewan Liquor and Gaming Authority. The Plan has been closed to new members since October 1, 1977. Provisions of the Plan are set out in *The Liquor Board Superannuation Act* (the Act) and *The Superannuation (Supplementary Provisions) Act*.

The Act establishes the Liquor Board Superannuation Commission (the Commission) as being responsible for administration of the Plan. While the Minister of Finance is the trustee of the Liquor Board Superannuation Fund, the Minister has delegated investment responsibilities to the Commission.

The primary purpose of the Plan is to provide pension benefits to employees in the event of retirement and secondarily in the event of termination of employment. The Plan provides benefits to the dependents of employees and superannuates in the event of death either before or after retirement. The Commission, which consists of three members appointed by the Lieutenant Governor in Council, is responsible for the administration of the Act. *Table 1.1* shows the Commission members as at December 31, 2008.

Mission

The Commission's mission as the Plan's administrator is to manage the Plan solely in the best interests of the members.

Liquor Board Superannuation Commission Members	
Brian Smith	Chair
Barry Lacey	Member
Randy Werner	Member

Table 1.1

Administration

The Plan is managed by the Public Employees Benefits Agency (PEBA). PEBA is part of the Ministry of Finance, Government of Saskatchewan, and administers a wide range of pension and benefits plans.

Administration of the Liquor Board Superannuation Plan is carried out in conjunction with similar plans administered by PEBA. Changes to administrative processes will continue to be evaluated with the intent of identifying opportunities for improving customer service and becoming more responsive to the needs of the Commission and the membership.

The Commission retains Hewitt Associates as an investment consultant and Greystone Managed Investments as an investment manager.

Table 1.2 shows the number of active and retired employees in the Plan as of the most recent and 2007 year-ends.

Active and Retired Employees	December 31, 2008	December 31, 2007
Active Employees	34	44
Inactive Members	4	3
Retired Employees*	204	201
Totals	**242**	**248**

*Includes Superannuates, plus their dependents now in receipt of a survivor pension.

Table 1.2

Initiatives

In 2006, the Commission adopted its multi-year business plan to achieve its stated goals through to 2010.

The business plan allows the Commission to focus on making key decisions that set a clear direction for the future of the Plan. Annual results are used to assess overall progress toward goals and initiatives and to adjust future plans and activities. Regular reporting allows the Commission to make necessary changes to resource allocations.

The business plan sets out initiatives and activities for the planning period within four categories:

1. **Effective Service Delivery and Communications**

2. **Plan Governance**

3. **Accountability**

4. **Risk Management**

The Commission will commence development of a new business plan in 2009. Depending on the final results of the planning process, the activities planned for 2009 may change from those identified in this Annual Report.

Initiatives

1. Effective Service Delivery and Communications

Given the mature nature of the Plan, there likely will not be a pressing need to alter the terms of the plan prior to the retirement of the remaining active members. However, changing technologies and changing expectations among the Plan's retired members may require the Commission to alter the Plan's service delivery from time to time.

The Commission recognizes that effective service delivery is dependent upon a solid communications framework. The Commission has determined there is a need to maintain good communications with the employer and members by maintaining a strong awareness of the pension plan.

The focus of service delivery in the short term will be on the remaining active members of the Plan until such time as all or substantially all of the active members have retired, when the primary focus will shift to service delivery to retired members. The focus is on:

- Improvements to the efficiency of service delivery to members and employers;
- Developing and implementing a communications plan;
- Determining opportunities to provide active and inactive members with relevant information to make informed decisions; and
- Responding to member and employer needs and preferences.

Effective Service Delivery and Communications Activities

Activities planned for 2008

- Identify communications resources and core audience for communications activities as part of a communications strategy.
- Report on performance against administration service standards.
- Review and amend (if necessary) administration service standards.
- Provide requested information and reports for members and employers through member information sessions and other identified resources.

Activities accomplished in 2008

- **A communications strategy will guide activities to provide relevant information to the proper members through the proper medium.**
- **Service standards were reported in PEBA's quarterly administration reports and received by the Commission at its March, September, and November 2008 meetings. These reports included recommendations for changes to service standards.**
- **A Customer Focus Coordinator was hired to provide member and employer meetings and assist in employer training. A mailing to employers was undertaken in the fall of 2008 regarding the availability of the Retire*With*Ease pre-retirement workshop.**

Activities Planned for 2009

- Re-assess focus of communications strategy and service delivery efforts.
- Review and amend (if necessary) administration service standards.
- Provide requested information and reports for members and employers through member information sessions and other identified resources.
- Enhance annual report.
- Implement and review communications strategy.

Initiatives

2. Plan Governance

The Commission has developed its governance practices and policies in recent years and will continue to implement and maintain its governance program.

As part of sound governance of the Plan, the Commission will pursue the following initiatives in this planning period:

- Conduct a periodic assessment of the Plan's governance, and take such actions as may be desirable or necessary for the Commission to best discharge its fiduciary responsibilities.
- Continue to develop the knowledge and skills of Commission members through continuing education.

Plan Governance Activities

Activities planned for 2008

- Implement identified changes (if any) required in the governance process.
- Conduct annual assessment of the plan governance program.
- Assess the existing reporting structure.

Activities accomplished in 2008

- **The review of the Commission's Governance Manual identified required changes to its education program, its Code of Conduct and Conflict of Interest Procedures, and the information to be received by the Commission. The Commission approved these changes at its September 2008 and November 2008 meetings.**
- **The Commission approved its Governance Self-Assessment Questionnaire at its November 2008 meeting.**
- **The Commission's review of its Governance Manual indicated that no changes to its existing reporting structure are required.**
- **The Commission reviewed its final Periodic Checklist for 2007, which provided the Commission with verification that required administrative tasks to have been completed by PEBA, before its March 2008 meeting.**
- **The Commission reviewed its interim Periodic Checklist for 2008 at its September 2008 meeting.**
- **The Commission signed its Code of Conduct and Conflict of Interest Procedures at its September 2008 meeting.**

Activities Planned for 2009

- Implement identified changes (if any) required in the governance process.
- Conduct annual assessment of the plan governance program.
- Review and update the Commission's business plan.

Initiatives

1. Effective Service Delivery and Communications

Given the mature nature of the Plan, there likely will not be a pressing need to alter the terms of the plan prior to the retirement of the remaining active members. However, changing technologies and changing expectations among the Plan's retired members may require the Commission to alter the Plan's service delivery from time to time.

The Commission recognizes that effective service delivery is dependent upon a solid communications framework. The Commission has determined there is a need to maintain good communications with the employer and members by maintaining a strong awareness of the pension plan.

The focus of service delivery in the short term will be on the remaining active members of the Plan until such time as all or substantially all of the active members have retired, when the primary focus will shift to service delivery to retired members. The focus is on:

- Improvements to the efficiency of service delivery to members and employers;
- Developing and implementing a communications plan;
- Determining opportunities to provide active and inactive members with relevant information to make informed decisions; and
- Responding to member and employer needs and preferences.

Effective Service Delivery and Communications Activities

Activities planned for 2008

- Identify communications resources and core audience for communications activities as part of a communications strategy.
- Report on performance against administration service standards.
- Review and amend (if necessary) administration service standards.
- Provide requested information and reports for members and employers through member information sessions and other identified resources.

Activities accomplished in 2008

- A communications strategy will guide activities to provide relevant information to the proper members through the proper medium.
- Service standards were reported in PEBA's quarterly administration reports and received by the Commission at its March, September, and November 2008 meetings. These reports included recommendations for changes to service standards.
- A Customer Focus Coordinator was hired to provide member and employer meetings and assist in employer training. A mailing to employers was undertaken in the fall of 2008 regarding the availability of the Retire*With*Ease pre-retirement workshop.

Activities Planned for 2009

- Re-assess focus of communications strategy and service delivery efforts.
- Review and amend (if necessary) administration service standards.
- Provide requested information and reports for members and employers through member information sessions and other identified resources.
- Enhance annual report.
- Implement and review communications strategy.

Initiatives

2. Plan Governance

The Commission has developed its governance practices and policies in recent years and will continue to implement and maintain its governance program.

As part of sound governance of the Plan, the Commission will pursue the following initiatives in this planning period:

- Conduct a periodic assessment of the Plan's governance, and take such actions as may be desirable or necessary for the Commission to best discharge its fiduciary responsibilities.
- Continue to develop the knowledge and skills of Commission members through continuing education.

Plan Governance Activities

Activities planned for 2008

- Implement identified changes (if any) required in the governance process.
- Conduct annual assessment of the plan governance program.
- Assess the existing reporting structure.

Activities accomplished in 2008

- The review of the Commission's Governance Manual identified required changes to its education program, its Code of Conduct and Conflict of Interest Procedures, and the information to be received by the Commission. The Commission approved these changes at its September 2008 and November 2008 meetings.
- The Commission approved its Governance Self-Assessment Questionnaire at its November 2008 meeting.
- The Commission's review of its Governance Manual indicated that no changes to its existing reporting structure are required.
- The Commission reviewed its final Periodic Checklist for 2007, which provided the Commission with verification that required administrative tasks to have been completed by PEBA, before its March 2008 meeting.
- The Commission reviewed its interim Periodic Checklist for 2008 at its September 2008 meeting.
- The Commission signed its Code of Conduct and Conflict of Interest Procedures at its September 2008 meeting.

Activities Planned for 2009

- Implement identified changes (if any) required in the governance process.
- Conduct annual assessment of the plan governance program.
- Review and update the Commission's business plan.

Initiatives

3. Accountability

Effective plan management requires a strong focus on accountability, the basis of which is the establishment of measurable objectives and the monitoring of progress against these objectives.

The Commission and its service providers will do the following:

- Review current operation and plan management standards and further develop these as necessary, consistent with the Commission's fiduciary responsibilities.
- Ensure there are adequate programs in place to allow the Commission to monitor results in relation to the established standards.
- Identify and implement ways to continue to improve the transparency of plan operations and the activities and decisions of the Commission itself.
- Develop and seek necessary approvals of policies and procedures for resolving disputes that may arise in the operation of the plan.

Accountability Activities

Activities planned for 2008
• Continue identification and implementation of ways to improve the transparency of plan operations and the activities and decisions of the Commission itself.

Activities Planned for 2009
• Continue identification and implementation of ways to improve the transparency of plan operations and the activities and decisions of the Commission.

Activities accomplished in 2008
• The administration budget for 2008 was approved by the Commission at its meeting in March 2008. • Provincial Auditor Saskatchewan audited the 2007 Financial Statements and provided an unqualified opinion at the Commission's meeting in March 2008. • The Commission approved its 2007 Annual Report and Financial Statements at its March 2008 meeting. The report was tabled in the Legislative Assembly in accordance with legislative requirements. • Performance reporting has been enhanced in this 2008 Annual Report to increase the transparency of plan operations and the activities and decisions of the Commission.

Initiatives

4. Risk Management

Effective governance requires a strong focus on risk management, the basis of which is the identification and quantification of risks and the development and implementation of effective strategies to manage the risks.

The Commission and its service providers will:

- Continue to identify and analyze the risks the Plan and Commission face; and
- Assess the effectiveness of the risk management techniques that are in place and implement such changes as necessary.

Risk Management Activities

Activities planned for 2008
• Develop and implement a plan to close any significant gaps in the Commission's risk management strategy. • Conduct an annual risk management assessment. • Conduct investment review.

Activities accomplished in 2008
• The Commission reviewed its 2007 risk management assessment at its meeting in March 2008. The Commission approved the elements associated with the plan as appropriate to carry out its risk management assessment. • The Commission reviewed and approved its 2008 risk management plan at its meeting in March 2008. • An investment policy review was conducted for the Plan in March 2008. • The Commission's investment consultant confirmed that the investment manager was in compliance with the investment policy at the Commission's September 2008 meeting. • In September 2008, proof of existence letters were sent to all pensioners receiving a pension payment from the Plan. By September 30, PEBA had received responses from 96.1 per cent of Liquor Board pensioners.

Activities Planned for 2009
• Conduct an annual risk management assessment. • Conduct investment review.

Plan Expenditures and Statistics

Benefit Payments

During the plan year, benefit payments are made in accordance with the plan rules due to retirement of employees, termination of employment and death benefits - either due to death of an employee or a superannuate.

T*ables 1.3, 1.4 and 1.5* show all the individuals who retired during the year, organized by retirement type. Detailed listings of all transactions are included at the end of the report.

Contributions to the Plan

In accordance with the contribution schedules outlined above, employee contributions to the Plan during the year totaled $133,493 compared to $163,943 for the previous fiscal year. In addition, the prior year included a contribution of $129,109 for an employee who transferred from the Public Service Superannuation Plan.

Retirement Summary

	December 31, 2008	December 31, 2007
Attained Age 65	-	-
Attained Age 60 - no reduction	1	4
Attained 35 years of Service	7	2
Age 55 and 30 years service - reduced pension	1	2
Ill Health Pensions	-	-
Deferred Allowances now Payable	-	-
Early Retirement Allowances	-	-
Totals	9	8

Table 1.3

Death Benefit Summary

	December 31, 2008	December 31, 2007
Employee Survivor Pension	-	-
Employee Cash Benefit	-	-
Superannuate Survivor Pension	4	6
Superannuate Cash Benefit	-	-
Totals	4	6

Table 1.4

Termination of Employment Summary

	December 31, 2008	December 31, 2007
Deferred Pension	-	-
Cash Refund	-	-
Totals	-	-

Table 1.5

Investment Performance

The Liquor Board Superannuation Commission is responsible for holding in trust and investing the monies in the Plan. The Commission has retained Greystone Managed Investments Inc. to be the investment manager.

The investment manager makes the day-to-day decision of whether to buy or sell specific investments in order to achieve the long-term investment performances set out by the Commission in the Statement of Investment Policies and Goals for the Liquor Board Superannuation Fund (Fund). It is against these long-term investment performance objectives that the Commission assesses the performance of the investment manager.

The Fund's long-term investment performance objective is to outperform a benchmark portfolio constructed of the following.

Benchmark Portfolio

Asset Class	Market Index	Weight
Canadian	S&P/TSX Composite CPMS CAP 10 Index	22%
US	S&P 500 US Stock Index	14%
Non-North American	MSCI EAFE Index	14%
Fixed Income Bonds	DEX Universe Bond Index	45%
Short-term Investments	DEX 91 Day Canadian Treasury Bill	5%
Total		**100%**

Table 1.6

The objective of the Fund is to achieve a return that is equal to or greater than the return achieved from this benchmark portfolio over a rolling four year period. The performance history of the Fund as of December 31, 2008 has been:

Performance History

	1-Year Return	Rolling 4 Year Average
Fund's Return	(14.5)%	2.7%
Benchmark Return	(12.4)%	2.3%

Table 1.7

Cash Flow Forecast

The total cash inflow is the amount of employee and employer contributions expected to be received by the pension plan together with interest on investments of 6.25%. The total cash outflows are the amounts that are required to pay all pension obligations. Forecast of cash flows have been determined using the long-term assumptions set out in *Table 1.8*.

Long-term Assumptions

Factor	Current Year Assumptions	Prior Year Assumptions
Discount Rate	7.50%	5.35%
Interest Rate	6.25%	6.00%
Inflation	2.50%	2.50%
Salary Escalation	3.50%	3.50%

Table 1.8

The actuarial valuations prepared by AON Consulting Inc., also take into consideration mortality under the plan, which is reflected in the Net Cash Flow Forecasts shown in *Table 1.9*. For the current valuation the mortality tables have been updated and reflect the most recent mortality studies (Mortality Table UPM1994 Projected to 2015).

Cash Flow Forecast

Year	Net Cash Outflows (000's)
2009	$136
2010	$235
2011	$300
2012	$348
2013	$365
Total next 5 Years	$1,384
Total 5-10 Years	$1,637
Total 11-30 Years	$5,154

Table 1.9

Retirement Details			
Name	**Position**	**Last Monthly Salary**	**Age**
Employees Retired Having Attained the Age of Retirement - Age 65			
None			
Employees Retired at Their Option After Age 60 with 20 Years Service			
HOLT, Ronald M.	Liquor Store Assistant. Manager	$3,650.80	64
Employees Retired at Their Option with 35 Years Service			
JEROSKI, Gregory F.	Liquor Store Assistant Manager	$4.435.12	59
PETRUIC, Lonister W.	Liquor Store Assistant Manager	$4,435.12	59
FOLK, Donald P.	Franchise Manager	$5,860.49	53
GANES, Terence C.	Liquor Store Manager	$3,578.47	60
SALI, Michael C.	Liquor Store Assistant Manager	$4,435.12	54
BARR, Kenneth H.	Liquor Store Manager	$5,270.03	58
SMISHEK, Albert W.	Liquor Store Assistant Manager	$4,435.12	58
Employees Retired After Age 55 with Minimum 30 Years Service - Reduced			
MOONIE, Al F.	Liquor Store Assistant Manager	$3,829.43	59

Table 1.10

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

Administration of the Plan is presently assigned to the Public Employees Benefits Agency of the Ministry of Finance. Management is responsible for financial administration, administration of funds and managing of assets.

The financial statements which follow have been prepared by management in conformity with Canadian generally accepted accounting principles. Management uses internal controls and exercises its best judgment in order that the financial statements fairly reflect the financial position of the Plan.

The Saskatchewan Liquor Board Superannuation Commission reviews and approves the financial statements. In doing so, the Commission has had the opportunity to discuss the statements with management throughout the year.

The provision for annuity benefits and the accrued pension benefits are determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events which require approval by management.

The financial statements have been audited by the Provincial Auditor whose report follows.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

A. Mackrill

Ann Mackrill
Director, Pension Programs
Public Employees Benefits Agency

K Deck

Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 12, 2009

Actuaries' Opinion

AON Consulting Inc. was retained by the Saskatchewan Liquor Board Superannuation Commission (the Commission) to perform actuarial valuations of the provision for annuity benefits and accrued pension benefits of the Liquor Board Superannuation Plan (the Plan) on an accounting basis as at September 30, 2008. AON Consulting Inc. was further retained to extrapolate the results of this valuation to December 31, 2008.

The valuation and extrapolation were based on:

- Membership data provided by the Commission as at September 30, 2008;
- Asset data, provided by the Commission as at December 31, 2008;
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and AON Consulting Inc. and are considered as management's best estimate of these events.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in our opinion these assumptions are not unreasonable, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation and the extrapolation. We also believe that the methods employed in the valuation and extrapolation and the assumptions used are, in aggregate, appropriate. Our opinions have been given and our valuations and extrapolation have been performed in accordance with accepted actuarial practice.

David R. Larsen, FSA, FCIA
AON Consulting Inc.

March 12, 2009

Liquor Board Superannuation Commission

Liquor Board Superannuation Plan

Financial Statements

Year Ended December 31, 2008

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued pension benefits and unfunded liability of the Liquor Board Superannuation Plan as at December 31, 2008 and the statements of changes in net assets available for benefits, and changes in accrued pension benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and unfunded liability of the Plan as at December 31, 2008 and the changes in net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 12, 2009

Fred Wendel, CMA, CA
Provincial Auditor

Liquor Board Superannuation Commission **Statement 1**

Liquor Board Superannuation Plan
Statement of Net Assets Available For Benefits, Accrued Pension Benefits And Unfunded Liability

As At December 31

ASSETS	2008 (000's)	2007 (000's)
Due from General Revenue Fund (Note 5)	$ 28	$ 39
Investments		
Pooled Funds (Note 3)	10,439	14,858
Receivables		
Employees' contributions	-	1
Employer's contributions	2	11
Other	2	2
Total assets	10,471	14,911
LIABILITIES		
Accounts payable and accrued liabilities	17	14
Total liabilities	17	14
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	10,454	14,897
Accrued pension benefits (Statement 3)	45,845	54,530
Unfunded liability	$ 35,391	$ 39,633

(See accompanying notes to the financial statements)

Liquor Board Superannuation Commission — Statement 2

Liquor Board Superannuation Plan
Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

	2008 (000's)	2007 (000's)
INCREASE IN ASSETS		
Investment income		
Interest	$ 2	$ 4
Pooled funds	491	973
	493	977
Contributions		
Employee interest transferred in	-	194
Employees'	133	293
Employer's	597	733
Total increase in assets	1,223	2,197
DECREASE IN ASSETS		
Superannuation allowances	3,159	2,983
Decrease in market value of investments	2,407	455
Administration expenses (Note 9)	100	95
Total decrease in assets	5,666	3,533
(Decrease) in net assets	(4,443)	(1,336)
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	14,897	16,233
NET ASSETS AVAILABLE FOR BENEFITS, end of year - to Statement 1	$ 10,454	$ 14,897

(See accompanying notes to the financial statements)

Liquor Board Superannuation Plan
Statement of Changes in Accrued Pension Benefits

Year Ended December 31

	2008 (000's)	2007 (000's)
ACCRUED PENSION BENEFITS, beginning of year	$ 54,530	$ 56,517
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued benefits	2,850	2,633
Benefits accrued	639	830
Increase due to transfer in	-	1,211
Net experience loss	1,605	-
	5,094	4,674
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	3,159	2,983
Net gain due to change in assumptions (Note 4)	10,620	3,576
Net experience gain on indexing	-	102
	13,779	6,661
ACCRUED PENSION BENEFITS, end of year – to Statement 1	$ 45,845	$ 54,530

(See accompanying notes to the financial statements)

Liquor Board Superannuation Commission

Liquor Board Superannuation Plan
Notes to the Financial Statements

December 31, 2008

1. Description of the Plan

a) General

The Liquor Board Superannuation Plan is a defined benefit final average pension plan established under *The Liquor Board Superannuation Act* (Act). The Act also established the Liquor Board Superannuation Fund to account for all transactions of the Plan. Membership is comprised of employees of the Liquor and Gaming Authority (previously Liquor Board) who were enrolled on October 1, 1977 and who did not elect to transfer to the Public Employees Pension Plan prior to October 1, 1978. When a member of the Public Service Superannuation Plan or the Saskatchewan Power Corporation Superannuation Plan becomes an employee of the Liquor and Gaming Authority, the members' accumulated contributions and interest are transferred to the Liquor Board Superannuation Plan and the members are given credit for his/her full service under the former plan.

Complete Plan details are contained in the Act, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations.*

b) Administration

The Liquor Board Superannuation Commission administers the Plan. Day-to-day administration is provided by the Public Employees Benefits Agency.

c) Funding Policy

Members contribute at the rate of 7%, 8% or 9% of salary depending on their age at the date of commencement of employment. Contributions are reduced by an amount equal to deemed Canada Pension Plan contributions. The employer contributes a fixed percentage of the members' contributions as necessary to fund the benefits provided by the Plan. This rate is set periodically by the Commission on the advice of the Actuary.

d) Retirement

Normal retirement is at age 65. Employees may retire earlier under certain conditions.

e) Pensions

Annual pensions are calculated as 2% of a member's average salary during the five years of highest salary, multiplied by the total number of years of service to a maximum of 35. At age 65, members' pensions are reduced due to integration with the Canada Pension Plan. Pensions are indexed each April 1 based upon 70% of the year over year increase in the Customer Price Index.

f) Income Tax

The Plan is a registered pension plan, as defined by the *Income Tax Act (Canada)* and accordingly, is not subject to income taxes. Allowances and refunds are subject to withholding taxes that are remitted to Canada Revenue Agency.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

a) Change in accounting policies

Effective January 1, 2008, three new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures* (Section 1535); Handbook Section 3862, *Financial Instruments - Disclosures* (Section 3862); and Handbook Section 3863, *Financial Instruments - Presentation* (Section 3863).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. As this standard only addressed disclosure requirements, there is no change in net assets.

Section 3862 and 3863 replaced Handbook section 3861, *Financial Instruments - Disclosure and Presentation*. The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the Plan's risks arising from financial instruments. The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Plan's operating results.

b) Investments

Pooled fund investments are valued at the unit value supplied by the pooled fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing bid prices.

The change in the market value of investments during the year is reflected on the financial statements as a market value adjustment.

c) Investment Transactions and Income

Investment transactions are recorded on the trade date. Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Dividend income is recognized on the record date. Monetary items denominated in foreign currency are translated at the exchange rate in effect at year-end.

d) Future accounting policy changes

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued an exposure draft proposing to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. Currently, pension plans will not be required to convert to IFRS completely. The Plan is monitoring the transition to IFRS and is assessing the impact that the adoption of IFRS will have on its financial statements.

3. Investments

The Plan limits its investments in pooled equity funds to 10% of the market value of each fund. Foreign equities including foreign pooled funds are limited to 40% of the cost of the investment

portfolio and are denominated in Canadian dollars. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager. The Plan's pooled funds are comprised of the following:

	Units Held		% of Total Units Outstanding		Market Value		Investment Income and Change in Market Value	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	(000's)				(000's)		(000's)	
Greystone Fixed Income Fund	448	616	1.08	1.47	$ 4,440	$ 6,193	$ 259	$180
Greystone Canadian Equity Fund	122	106	0.19	0.24	2,148	3,111	(1,089)	399
Greystone EAFE Plus Fund	213	205	0.11	0.12	1,388	2,085	(676)	(43)
Greystone US Equity Fund	189	167	1.34	1.64	1,759	1,981	(451)	(67)
Greystone Money Market Fund	71	149	0.43	0.97	704	1,488	41	49
					$10,439	$14,858	$(1,916)	$518

The Greystone EAFE Plus Fund holds units in the Greystone EAFE Quantitative Fund and the Greystone EAFE Growth Fund. These funds may use derivative financial instruments such as foreign currency forward exchange contracts and future contracts for hedging foreign currency and replicating indexes.

Derivative financial instruments are financial contracts that change in value resulting from changes in underlying assets or indices. Derivatives transactions are conducted in over-the-counter markets directly between two counterparties or on regulated exchange markets. All derivative financial instruments are recorded at market value using market prices. Where market prices are not readily available, other valuation techniques are used to determine market value.

4. Obligation for Accrued Pension Benefits

An actuarial valuation of the Liquor Board Superannuation Plan was performed as at September 30, 2008 and extrapolated to December 31, 2008 by Aon Consulting Inc. The actuary used the projected benefit method prorated on services to determine the actuarial present value of accrued pension benefits.

The pension liability is based on a number of assumptions about future events including: discount rate, rate of salary increase, mortality, retirement rates and inflation. The actual rates may vary significantly from the long-term assumptions used. There has been a change in the discount rate and in the indexing assumption since the previous actuarial valuation done in 2005. The discount rate is based on the yield on long-term high grade (AAA/AA) Canadian corporate bonds with cash flows that match the timing and amount of expected benefit payments. This yield has increased from 4.75% to 7.50% resulting in a decrease in the accrued pension benefits. The indexing assumption used in 2005 was based on 50% of the inflation rate on an ad hoc basis. *The Superannuation (Supplementary Provisions) Act* was changed such that superannuates are now granted increases automatically equivalent to 70% of the Consumer Price Index resulting in an increase in the accrued pension benefits.

Significant long-term actuarial assumptions used in determining the accrued pension benefits were:

	2008	2007
Salary escalation rate	3.50%	3.50%
Inflation rate	2.50%	2.50%
Discount rate	7.50%	5.35%
Mortality table	1994 UPM (Projected to 2015)	1994 UPM (Projected to 2015)
EARSL	1.4	4.0
Expected long-term rate of return	6.25%	6.00%

The following illustrates the effect of changing certain assumptions from assumed rates of: inflation 2.50%, salary 3.50% and discount rate 7.50%.

	Long-Term Assumptions					
	Inflation*		Salary		Discount Rate	
	3.5%	1.5%	4.5%	2.5%	8.50%	6.50%
(Decrease) increase in liability	(2.1%)	2.2%	0.1%	(0.1%)	(8.1%)	9.5%

* A change in the inflation rate of 1% has a corresponding change in the discount rate of 1%, in the salary scale of 1%.

The net experience loss is mainly due to gains for an improvement in the spousal data, termination experience being greater than expected, and pensioner deaths being greater than expected offset by losses due to indexing being different than expected, salary increases being greater than expected and retirement experience being greater than expected.

If there are insufficient monies in the Fund to pay allowances, Liquor and Gaming Authority is obligated to pay any deficiency to the Plan.

Cash Flow Forecast

The total cash inflow is the amount of employee and employer contributions expected to be received by the pension plan together with interest on investments of 6.25%. The total cash outflows are the amounts that are required to pay all pension obligations. Forecast of cash flows have been determined using the long-term assumptions used in the valuation. All amounts are based on actual dollar forecasts.

	(thousands of $)			
	Contributions	Benefits Paid	Investment Return	Net Cash Outflow
2009	$3,146	$3,911	$629	$136
2010	3,334	4,187	618	235
2011	3,428	4,330	602	300
2012	3,453	4,383	582	348
2013	3,400	4,326	561	365
Total next 5 years	$16,761	$21,137	$2,992	$1,384
Total 5-10 years	$15,158	$19,289	$2,494	$1,637
Total 11-30 years	$40,108	$51,038	$5,776	$5,154
Total 31-60 years	$11,905	$15,150	$965	$2,280

5. Due from General Revenue Fund

The Liquor Board Superannuation Plan bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty-day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty-day borrowing rate in 2008 was 2.57% (2007 – 4.26%).

6. Financial Risk Management

The nature of the Plan's operations result in a statement of net assets available for benefits, accrued pension benefits and unfunded liability that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by the Commission. The investment policy provides guidelines to the Plan's investments managers for the asset mix of the portfolio regarding quality and quantity of fixed income and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Commission reviews regular compliance reports from its investment manager as to their compliance with the investment policy. The Commission also reviews regular compliance reports from the pooled fund custodian as to the investment manager's compliance with the investment policy.

Credit risk

The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at December 31, 2008 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $'s)	
	2008	**2007**
Due from the General Revenue Fund	$ 28	$ 39
Accounts receivable	4	14
Fixed income investments[1]	5,144	7,681

[1] Includes the fixed income and money market pooled funds.

Accounts receivable are primarily made up of employee and employer contributions receivable.

Employee and employer contributions receivable are generally received within 15 days.

Credit risk within investments is primarily related to the Money Market Pooled Fund and the Fixed Income Pooled Fund. It is managed through the investment policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its fixed income investments. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point change in interest rates would change net assets available for benefits and unfunded liability by $0.3 million at December 31, 2008, representing 6.8% of the $4.4 million fair value of fixed income investments.

Foreign exchange

The Plan is exposed to changes in the U.S. dollar exchange through its U.S. equity pooled fund. Also, the Plan is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in EAFE equity pooled fund. Exposure to both U.S. equities and non-North American equities is limited to a maximum 20% each of the market value of the total investment portfolio. At December 31, 2008, the Plan's exposure to U.S. equities was 16.8% (2007 – 13.3%) and its exposure to non-north American equities was 13.3% (2007 – 14.0%).

At December 31, 2008, a 10% change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $0.2 million change in net assets available for benefits and unfunded liability. A 10% change in the Canadian dollar versus the EAFE currencies would result in approximately a $0.1 million change in net assets available for benefits and unfunded liability.

Equity prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets through its pooled funds. Equity pooled funds comprise 50.7% (2007 – 48.3%) of the carrying value of the Plan's total investments.

The following table indicates the approximate change that could be anticipated to both the decrease in net assets available for benefits and unfunded liability based on changes in the Plan's benchmark indices December 31, 2008:

	(Change in thousands of $)	
	10% increase	10% decrease
S&P/TSX Composite Index	$ 215	$ (215)
S&P 500 Index	176	(176)
MSCI EAFE Index	139	(139)

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. Accounts payable and accrued liabilities will be paid within the next fiscal period.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties". The administration expenses of the Plan are paid to the Public Employees Benefits Agency (PEBA) Revolving Fund.

Other transactions with related parties and amounts due to or from them are disclosed separately in these financial statements and notes.

Related party transactions with the Plan are in the normal course of operation and are recorded at exchange amounts agreed to by the parties to the transactions.

8. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Commission. The Commission reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over 4 year rolling periods. The primary long term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	Annual Return		Rolling Four-Year Average Annual Return	
	2008	2007	2008	2007
Plan's actual rate of return (a)	(14.5%)	3.6%	2.7%	9.4%
Plan's benchmark (b)	(12.4%)	1.7%	2.3%	7.9%

(a) The annual return is before deducting investment expenses.

(b) The Plan's benchmark for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Capped Composite10% Index, S&P 500 Index (Cdn.$), Morgan Stanley Capital International Europe Australia Far East Index and the DEX Universe Bond Index.

9. Administration Expenses

(thousands of $'s)

	2008 Budget	2008 Actual	2007 Actual
Administration - PEBA Revolving Fund	$77	$74	$64
Investment management fees – Greystone*	35	26	31
	$112	$100	$95

*Investment management fees are based on the market value of the portfolio.

10. Fair Value of Financial Assets and Financial Liabilities

The pension liability is long-term in nature and there is no market for settling these pension obligations. Therefore, determination of the fair value of the pension liability is not practical (note 4).

The following method and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

Fair values of investments are considered to be market values (note 2).

For the following financial instruments the carrying amounts approximate fair value due to the immediate or short-term nature of these financial assets and financial liabilities.

a) employees' and employer's contributions receivable
b) other receivables
c) due from General Revenue Fund
d) accounts payable and accrued liabilities

LIQUOR BOARD SUPERANNUATION PLAN
SCHEDULE OF INVESTMENTS (Unaudited)

EXHIBIT 1

YEAR ENDED DECEMBER 31, 2008

Security	Market Value
Pooled Funds	
Greystone Managed Investments Canadian Equity Fund	$ 2,148,311
Greystone Managed Investments Fixed Income Fund	4,440,399
Greystone Managed Investments Money Market Fund	704,067
Greystone Managed Investments US Equity Fund	1,758,550
Greystone Managed Investments EAFE Plus Fund	1,387,884
Total Long Term Investments	$ 10,439,211

LIQUOR BOARD SUPERANNUATION PLAN
SCHEDULE OF INVESTMENT TRANSACTIONS (Unaudited)

EXHIBIT 2

YEAR ENDED DECEMBER 31, 2008

Pooled Funds	Units	Purchases	Disposals	Net
Greystone Canadian Equity Fund	16,692	$ 1,111,250	$ 861,865	$ 249,385
Greystone Fixed Income Fund	(168,000)	488,243	2,228,500	(1,740,257)
Greystone Money Market Fund	(78,434)	138,196	922,537	(784,341)
Greystone United States Equity Fund	21,238	741,899	490,050	251,849
Greystone EAFE Plus Fund	7,930	458,857	446,650	12,207
Total Pooled Funds		$ 2,938,445	$ 4,949,602	$ (2,011,157)

Summary of Investment Transactions	
Decrease in Pooled Funds	$ (2,011,157)
Total Investment Transactions	(2,011,157)
Investments, beginning of year	14,857,857
Market Value Adjustment	(2,407,489)
Investments, end of year (market value)	$ 10,439,211